

**SALES TAX REBATE
2001 Rebate Proposal**

PRELIMINARY ANALYSIS

March 8, 2001

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings	X	

Department of Revenue

Analysis of H.F. 552 (Abrams) / S.F. 692 (Lessard) **As Proposed to be Amended**

		Revenue Gain or (Loss)				
	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>	
			(000's)			
Core Population	(\$773,600)					
SSA Eligible Qualifiers	(\$40,900)					
Dependent Qualifiers	(\$5,300)					
Income Tax Credit Qualifiers	(\$10,800)					
Property Tax Refund Qualifiers	(\$9,400)					
Amends, Claims, Nonres.	<u>(\$16,000)</u>					
Total Rebate	(\$856,000)					
General Fund Recapture	<u>\$12,860</u>					
General Fund	(\$843,140)	\$0	\$0	\$0	\$0	

* Minnesota full-year and part-year residents who had a \$1 or more of 1999 income tax liability, excluding dependents.

Effective the day following final enactment.

EXPLANATION OF THE BILL

As proposed to be amended, the bill provides for a sales tax rebate of \$856 million to be paid in 2001. This proposal for a 2001 rebate is similar in many respects to the 2000 rebate.

There are four primary groups that would qualify for an automatic rebate. First, residents (who were not dependents) that filed a 1999 Minnesota tax return with a tax liability of \$1 or more are eligible for a rebate based on the tables that are constructed by size of income and filing status. Second, Minnesota residents (at least 18 years old by 12/31/99) that did not qualify under the above provision and received social security income qualify for a rebate of \$112. Third, dependents with at least \$1 of income tax liability and have earned income receive a rebate of 35% of the table amount for single filers. Fourth,

EXPLANATION OF THE BILL (cont.)

Minnesota residents (who were not dependents) that did not qualify based on income tax liability or the SSA provision and filed a income tax return claiming a dependent care credit, working family credit, education credit, withholding credit, or estimated tax credit qualify for a rebate equal to the minimum amount in the table, depending on filing status. Also, included in the fourth group are persons who claimed a property tax refund for property taxes paid in 2000 or rent paid in 1999. The property tax refund filers receive a rebate of the minimum amount in the table for single filers. Except for social security recipients in the second group, part-year residents qualify for a prorated rebate amount. Nonresidents qualify for a rebate based on actual submitted receipts of sales tax paid in 1999.

REVENUE ANALYSIS DETAIL

- Although the table amounts are not specified in the amendment, it is assumed that they would all be proportionately reduced to reflect the size of the total rebate amount compared to the original bill, \$856 million in the amendment compared to \$925.414 million.
- The core population is comprised of approximately 1,810,000 full and part-year residents who had at least \$1 of income tax liability for tax year 1999. This estimate is based on a comparison of 1998 actual information with summary information from 1999 income tax processing statistics.
- The estimates for the other types of qualifiers are based on 1998 information and will be updated with 1999 information. The estimates are based on Department of Revenue information and 1998 information from the Social Security Administration.

Core Population	1,810,000
SSA Eligible Qualifiers	365,000
Dependent Qualifiers	135,000
Income Tax Credit Qualifiers	75,000
Property Tax Refund Qualifiers	80,000
Late Filers, Claimants, and Nonresidents	<u>30,000</u>
Total Rebates	2,495,000

- Compared to the rebate recipients in 2000, about 87,000 people (or 65,000 rebates) who qualified because they had a property tax rebate would not qualify under the other eligibility groups.
- The general fund recapture was estimated at 1.5% of the rebate amount. This was approximately the percent of the offset for the 2000 sales tax rebate.

Number of Taxpayers Affected: It is estimated that this proposal would produce 2,495,000 rebates.

ADMINISTRATIVE/OPERATIONAL IMPACT

See fiscal note for HF 2.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>